Gustavo V. Camacho, Mayor
Brent A. Tercero, Mayor Pro Tempore
Bob J. Archuleta, Councilmember
David W. Armenta, Councilmember
Gregory Salcido, Councilmember

COMMISSIONERS SCHEDULED TO BE PRESENT:
Nadine Barragan, Sister City Commission
Tommy Elisaldez, Planning Commission

INVOCATION:
(In accordance with the Court’s Decision in Rubin v. City of Burbank, only nonsectarian prayers/invocations are allowed during the invocation)

PLEDGE OF ALLEGIANCE:

SPECIAL PRESENTATION(S):
- Proclamation for Safe Communities Month - presented to Lt. Steve Sanchez
- Sheriff’s Youth Activities League, “Beat the Streets-Los Angeles” presenters Captain Thornton/Executive Director Yero Washington
- Pavement Management Systems presented by Public Works Department

PLEASE TURN OFF ALL PAGERS AND/OR PHONES WHILE MEETING IS IN SESSION AND PLEASE REFRAIN FROM TEXTING DURING THE MEETING

In compliance with the Americans with Disabilities Act of 1990, the City of Pico Rivera is committed to providing reasonable accommodations for a person with a disability. Please call the City Clerk’s office at (562) 801-4389, if special accommodations are necessary and/or if information is needed in an alternative format. Special requests must be made in a reasonable amount of time in order that accommodations can be arranged.
1st PERIOD OF PUBLIC COMMENTS - IF YOU WOULD LIKE TO SPEAK ON ANY LISTED AGENDA ITEMS, PLEASE FILL OUT A GREEN PUBLIC COMMENT REQUEST FORM AND PROVIDE IT TO THE STAFF MEMBER AT THE BACK TABLE BEFORE THE MEETING STARTS.

When you are called to speak, please come forward and state your name and city of residency for the record. You have three (3) minutes to make your remarks. In accordance with Government Code Section 54954.2, members of the City Council may only: 1) respond briefly to statements made or questions posed by the public; 2) ask a question for clarification; 3) provide a reference to staff or other resources for factual information; 4) request staff to report to the City Council at a subsequent meeting concerning any matter raised by the public; and 5) direct staff to place a matter of business on a future agenda. City Council members cannot comment on items that are not listed on a posted agenda.

CONSENT CALENDAR ITEMS:
All items listed on the Consent Calendar may be acted on by a single motion without separate discussion. Any motion relating to a Resolution or Ordinance shall also waive the reading of the titles in full and include its adoption as appropriate. If discussion or separate vote on any item is desired by a Councilmember or staff, that item may be pulled from the Consent Calendar for separate consideration.

1. Minutes:
   • City Council meeting of February 26, 2013
   Recommendation: Approve

2. 14th Warrant Register of the 2012-2013 Fiscal Year. (700)
   Check Numbers: 255789-255959
   Special Checks Numbers: None.
   Recommendation: Approve

3. Fireworks Program for 2013. (700)
   Recommendation:
   1. Approve the attached list of fireworks stand applicants and authorize the issuance of permits to operate.

   Recommendation:
   Receive and file:
1. The Single Audit Report for fiscal year ending June 30, 2012;
2. The Appropriation Limit Calculation for fiscal year ending June 30, 2012; and

5. **Approve Arbitrage Management Group as Financial Advisor.**

   **Recommendation:**
   1. Approve Arbitrage Management Group (AMG) as financial advisor.

6. **Rivera Park, Smith Park, and Rio Vista Park Renovation Projects – Amendment No. 4 to Professional Services Agreement No. 10-1180 with URS Corporation, Inc. – Construction Management Services.**

   **Recommendation:**
   1. Approve Amendment No. 4 to Professional Services Agreement No. 10-1180 with URS Corporation, Inc. (URS) for additional construction management services for an amount not to exceed $240,000 and authorize the Mayor to execute Amendment No. 4 in a form approved by the City Attorney.

7. **Telegraph Road Landscape Median Improvement Project, CIP No. 21232 – Amendment No. 2 to Agreement No. 11-1235 with the City of Downey.**

   **Recommendation:**
   1. Approve Amendment No. 2 to Agreement No. 11-1235 with the City of Downey to incorporate additional improvements at the intersection of Telegraph Road and Lakewood/Rosemead Boulevard, and authorize the Mayor to execute Amendment No. 2 in a form approved by the City Attorney; and
   2. Appropriate $151,300 in Proposition C funds to CIP No. 21232.

**CONSENT CALENDAR ITEMS PULLED:**

**LEGISLATION:** None.

**NEW BUSINESS:**

**OLD BUSINESS:**

**2ND PERIOD OF PUBLIC COMMENTS - THIS TIME IS RESERVED FOR COMMENTS THAT HAVE NOT BEEN ADDRESSED ALREADY OR THAT ARE NOT LISTED ON THE AGENDA. PLEASE FILL OUT A BLUE PUBLIC COMMENT**
REQUEST FORM AND PROVIDE IT TO THE STAFF MEMBER AT THE BACK
TABLE BEFORE THE MEETING STARTS.
When you are called to speak, please come forward and state your name and city of
residency for the record. You have three (3) minutes to make your remarks.

ADJOURNMENT:

AFFIDAVIT OF POSTING

I, Anna M. Jerome, Assistant City Clerk, for the City of Pico Rivera, DO HEREBY
CERTIFY, under penalty of perjury under the laws of the State of California, that the
foregoing notice was posted at the Pico Rivera City Hall bulletin board, Pico Rivera Post
Office and Parks: Smith, Pico and Rivera and full agenda packets distributed to the Pico
Park and Serapis Libraries, which are available for the public to view. Additionally,
agenda was distributed to members of the media on this the 8th day of March 2013.

Dated this 8th, day of March 2013

Anna M. Jerome, CMC
Assistant City Clerk

SB343 NOTICE

In compliance with and pursuant to the provisions of SB343 any public writing
distributed by the City Clerk to at least a majority of the City Council Members
regarding any item on this regular meeting agenda will be available on the back table at
the entrance of the Council Chamber at the time of the City Council meeting and at the
counter of City Hall at 6615 Passons Boulevard, Pico Rivera, California during normal
business hours.
STATEMENT REGARDING DECORUM AT CITY COUNCIL MEETINGS

If you wish to speak at the time set aside for public comments, the City Council has established the following standards and Rules of Decorum as allowed by State law.

- Public comment is limited to those portions of the meeting referred to as Public Comments. These portions are intended for members of the public to address the City Council, Redevelopment Agency, Housing Assistance Agency or Water Authority on matters related to agendas or any other items under the subject matter jurisdiction of the City Council or Agencies.

- A yellow Public Hearing Comment Request card must be completed to speak during a Public Hearing.

- A green Public Comment Request – Agenda Items Only card is for those wishing to address the Council/Agency on agenda items only during the 1st Period of Public Comments.

- A blue Public Comment Request – All other City-Related Business card is for those wishing to address the Council/Agency on any other items under the subject matter jurisdiction of the Council/Agency during the 2nd Period of Public Comments.

- Citizens may address the Council, Redevelopment Agency or Housing Assistance Agency once for a maximum of three minutes. After each speaker returns to his/her seat, the Mayor shall determine the time and manner of response, but typically if answers are available, they will be given after all speakers have had an opportunity to address the City Council.

- Members of the audience are asked to refrain from clapping or otherwise speaking from their seats. Those not meeting the standards for decorum may be escorted from the meeting.

RULES OF DECORUM CAN BE FOUND IN THE PICO RIVERA MUNICIPAL CODE SECTION 2.08.050 AS ESTABLISHED BY ORDINANCE 783 ADOPTED ON AUGUST 20, 1990 AND AMENDED BY ORDINANCES 822 (SEPTEMBER 21, 1992) AND 1020 (MARCH 21, 2006).
Tuesday, February 26, 2013

A Regular Meeting of the City Council was held in the Council Chamber, Pico Rivera City Hall, 6615 Passons Boulevard, Pico Rivera, California.

Mayor Camacho called the meeting to order at 6:00 p.m. on behalf of the City Council.

PRESENT: Archuleta, Armenta, Salcido, Tercero, Camacho
ABSENT: None

COMMISSIONERS PRESENT: None.

INVOCATION: Councilmember Archuleta

PLEDGE OF ALLEGIANCE: Councilmember Tercero

SPECIAL PRESENTATIONS: None.

1st PERIOD OF PUBLIC COMMENTS – AGENDA ITEMS ONLY:

Virginia Aguirre:
- Addressed the City Council regarding reduction in employee benefits and her service as a volunteer worker with the Christmas Baskets Committee.

Jeffrey W. Natke, representative of the Pico Rivera Mid-Managers and Professional and Confidential Association:
- Addressed the City Council regarding Item No. 6 Mid-Year Budget and the proposed $37,500 funding to charities and the Chamber of Commerce.

Charlie Villanueva:
- Addressed the City Council to speak as a member of the Chamber of Commerce and of his appreciation for their services.

Maria Segovia, President of the Pico Rivera Chamber of Commerce:
- Addressed the City Council to thank them for their support, to request funding and to introduce board members of the Chamber of Commerce who were present in the audience.
Mary Ann Bakotich, Executive Director of the Chamber of Commerce:
- Addressed the City Council to speak of the Chamber benefits that enhance the partnership with the city.

CONSENT CALENDAR:

1. **Minutes:**
   - Approved City Council meeting of February 12, 2013; and
   - Received and filed Parks & Recreation Commission meeting of November 8, 2012

2. **Approved 13th Warrant Register of the 2012-2013 Fiscal Year.**
   Check Numbers: 255590-255788
   Special Checks Numbers: None.

3. **2013 CalHome Program Grant Application.**

   1. Adopted Resolution No. 6710 authorizing the submittal of a grant application to the California Housing and Community Development Department for the 2013 CalHome Program grant funds.

   Resolution No. 6710  A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PICO RIVERA, CALIFORNIA, HEREBY AUTHORIZES THE SUBMITTAL OF AN APPLICATION TO THE CALIFORNIA STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT FOR FUNDING UNDER THE CALHOME PROGRAM

4. **KaBOOM! Shade Shelter and Outdoor Fitness Grant Application.**

   1. Approved submittal of an application for a Shade Shelter grant at Streamland Park and an Outdoor Fitness Equipment grant for Pico Park.

5. **City Hall Emergency Backup Generator Project, CIP No. 21243 – Authorization to Bid.**

   1. Approved Plans, Specifications and Estimate (PS&E) for City Hall Emergency Backup Generator Project, CIP No. 21243;
   2. Authorized the City Clerk to publish the Notice Inviting Bids; and
3. Approved the Notice of Exemption for the subject project and authorized the City Clerk to file with the County Recorder.

Councilmember Salcido inquired about the use and need of the emergency backup generator. City Manager Bates stated that the last time the city experienced a power outage, the current backup generator failed due to the fact that the current system is old and was not designed to handle the high demand of energy used today. Director Cervantes added that the proposed generator provides 15 times the power of the previous backup generator and will keep the city functional for 24-hours.

Motion by Councilmember Armenta, seconded by Councilmember Archuleta to approve Consent Calendar Items No. 1 through 5. Motion carries by the following roll call vote:

AYES: Archuleta, Armenta, Salcido, Tercero, Camacho
NOES: None

CONSENT CALENDAR ITEMS PULLED: None.

LEGISLATION:


City Manager Bates stated that the city’s revenues are coming in better than projected and that the deficit for this current year will be close to $400,000. He further stated that City Council has directed that the city maintain a 25% reserve and that the city is at about an 18% reserve. The challenges that the city faces, he stated, are the rising retirement and medical costs. He added that with the fixed property rates under Proposition 13, the only other source of revenue available to the city is sales tax revenue.

Assistant City Manager Matsumoto provided a brief PowerPoint presentation providing information on general fund sources, general fund uses, summary of sources and uses, mid-year highlights and policy items to consider.

City Manager Bates stated that staff met with the Ad Hoc Budget Committee and presented this information for their review. He stated that item number five comes without any policy recommendations leaving it to the judgment of the City Council.
Council members discussed sales tax revenue, restoring fiscal integrity, justification for funding charities, Council’s direction to review charitable funding at mid-year, objections to funding at this time, Ad Hoc Committee’s recommendation to discuss funding options in open session, importance of servicing community groups that provide benefits to the whole community and fostering business development, plan of action for raising revenue and job costing.

In regard to Mayor Camacho’s statement pertaining to the city proactively raising revenue, City Manager Bates stated that one area that would impact revenue is business development because that would produce sales tax and jobs. City Manager Bates further elaborated on the city’s deficit stating that revenues and expenditures are coming into balance which will help with the city’s unfunded retirement benefits and PERS smoothing.

Councilmembers Armenta and Salcido stated their opposition to item 5 of the recommendation being placed on the agenda for consideration at this time as the city is not in the position to provide this type of funding.

Motion by Councilmember Armenta, seconded by Councilmember Archuleta to approve the following Mid-Year Budget adjustments to the FY 2012/13 budget: 1) Approve budget adjustments to General Fund Appropriations (Attachment 2); 2) Approve budget adjustments to other funds appropriations (Attachment 3); 3) Approve budget adjustments to Capital Improvement Projects (Attachment 4); and 4) Approve budget adjustments to revenues (Attachment 5).

**AYES:** Archuleta, Armenta, Tercero, Camacho

**NOES:** Salcido

Recessed to Water Authority at 7:15 p.m.

**ALL MEMBERS WERE PRESENT**

Reconvened from Water Authority at 7:20 p.m.

**ALL MEMBERS WERE PRESENT**

**NEW BUSINESS:** None.

**OLD BUSINESS:** None.
2ND PERIOD OF PUBLIC COMMENTS – ALL OTHER CITY-RELATED BUSINESS:

Nick Pondoff:
- Addressed the City Council regarding waiving the requirements for building a block wall as it pertains to the expansion of a driveway.

Recessed to Closed Session at 7:21 p.m.

ALL MEMBERS WERE PRESENT

Reconvened from Closed Session at 9:36 p.m.

ALL MEMBERS WERE PRESENT

CLOSED SESSION(S):

a. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
   Pursuant to Government Code Section 54956.9 subdivision (d) paragraph (1)
   Lucky Sevens Inc. vs. City of Pico Rivera
   Case No. BC 472322

City Attorney Alvarez-Glasman stated that direction was provided to Special Counsel and that there was no action taken and nothing further to report.

b. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
   Pursuant to Government Code Section 54956.9 subdivision (d) paragraph (1)
   Jeff Tracy dba Land Forms vs. City of Pico Rivera
   Case No. VC 062697

City Attorney Alvarez-Glasman stated that direction was provided to the City Attorney and that there was no action taken and nothing further to report.

c. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
   Pursuant to Government Code Section 54956.9 subdivision (d) paragraph (4)
   Consideration of initiation of litigation – one matter

City Attorney Alvarez-Glasman stated that there was no action taken and nothing further to report.
d. LIABILITY CLAIMS
   Pursuant to Government Code Section 54956.95
   Claimant: Jeff Tracy Inc. dba Land Forms Landscape Construction
   Agency claimed against: City of Pico Rivera

   City Attorney Alvarez-Glasman stated that there was no action taken and nothing further to report.

e. CONFERENCE WITH LABOR NEGOTIATORS
   Pursuant to Government Code Section 54957.6
   Agency Designated Representatives:
   City Manager Ron Bates
   Assistant City Manager Mike Matsumoto

   Employee organization(s):
   Service Employees International Union, Local 721 - Full-Time Bargaining Unit
   Pico Rivera Mid-Managers and Professional and Confidential Association
   Bargaining Unit
   Service Employees International Union, Local 721 – Director’s Bargaining Unit

   City Attorney Alvarez-Glasman stated that there was no action taken and nothing further to report.

f. PUBLIC EMPLOYMENT
   Pursuant to Government Code Section 54957
   Title: City Manager

   City Attorney Alvarez-Glasman stated that there was no action taken and nothing further to report.

ADJOURNMENT:

Mayor Camacho adjourned the City Council meeting at 9:37 p.m. There being no objection it was so ordered.

AYES: Archuleta, Armenta, Salcido, Tercero, Camacho
NOES: None
ATTEST:

__________________________
Anna M. Jerome, Deputy City Clerk

I hereby certify that the foregoing is a true and correct report of the proceedings of the City Council regular meeting dated February 26, 2013 and approved by the City Council on March 12, 2013.

__________________________
Anna M. Jerome, Deputy City Clerk
14th WARRANT REGISTER OF THE 2012-2013 FISCAL YEAR

MEETING DATE: 03/12/13

TOTAL REGISTER AMOUNT: $2,689,278.56

CHECK NUMBERS: 255789-255959

SPECIAL CHECK NUMBERS:

REGULAR CHECK TOTAL: $2,689,278.56

SPECIAL CHECK TOTAL:

TOTAL REGISTER AMOUNT: $2,689,278.56
PAYROLL REGISTER P/P 02/08/13 - 02/22/13

Pay Date: 02/28/13

VOID ACH CKS

VOID CKS

Scrap:
380821
380887

SPECIAL CKS

CKS
380822 - 380886  49,687.97

Total 49,687.97

ACH
380888 - 381087  239,860.41

Total 239,860.41

TOTAL 289,548.38
To: Mayor and City Council

From: City Manager

Meeting Date: March 12, 2013

Subject: FIREWORKS PROGRAM FOR 2013

Recommendation:

Approve the attached list of fireworks stand applicants and authorize the issuance of permits to operate.

Fiscal Impact:

There is no fiscal impact from this item.

Discussion:

The City Council annually reviews the “number” of stands that can participate in the Fireworks program. The Council approved 19 fireworks stands in 2010, 16 in 2011, and 16 in 2012. In 2013, there are 14 applicants that have met all of the requirements of the Fireworks program and are hereby submitted for approval.

The complete list of the 14 applicants for firework stands is attached to this staff report for City Council review.

Ronald Bates
City Manager

RB:MM

Attachment – List of applicants and map of location of stands.
## City of Pico Rivera July 4, 2013 Fireworks Stand Applications

<table>
<thead>
<tr>
<th>Organization Name</th>
<th>Contact Person</th>
<th>Stand Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. El Rancho High School</td>
<td>Steven Rodriguez</td>
<td>In student parking lot across from Post Office 6501 Passons Blvd. El Rancho High School Zoning: Public Facilities (P-F)</td>
</tr>
<tr>
<td>11. Pico Rivera Dons Football for Youth Inc.</td>
<td>Anna Gonzalez</td>
<td>In front of Treasure Hunt 9425 Telegraph Rd. N/E Corner of Telegraph Rd. &amp; Passons Blvd. Zoning: General Commercial (C-G)</td>
</tr>
</tbody>
</table>

Community Development Director's signature constitutes only a certification of zoning and location but may be subsequently approved on the application and permit per Pico Rivera City Code 8.36.020.

Approved By [Signature] Date 2/14/13
To: Mayor and City Council
From: City Manager
Meeting Date: March 12, 2013

Recommendation:

Receive and file:


Fiscal Impact:

None.

Discussion:

Single Audit

The Single Audit Report was issued by White, Nelson, Diehl, Evans, Certified Public Accountants. The Single Audit Act of 1984 and Single Audit Act Amendments of 1996 require local governments expending federal funds more than $500,000 a year to have a Single Audit.

There were no findings in the Single Audit Report. In the auditors' opinion, the City complied, in all material respects, with the requirements.
**Appropriations Limit**

There were no findings in the Appropriations Limit Calculation review. The auditors have verified the accuracy of the spending limit as calculated by staff for the June 30, 2012.

**Audit Committee Letter**

The Audit Committee Letter for June 30, 2012 includes required communications to those charged with governance. The only item noted was that staff inadvertently accrued the payroll twice, but this was corrected before the audit was completed.

[Signature]

Ronald Bates  
City Manager

MM

Attachment 1 - Single Audit Report  
Attachment 2 - Appropriations Limit Calculation  
Attachment 3 – Audit Committee Letter
CITY OF PICO RIVERA, CALIFORNIA

SINGLE AUDIT OF FEDERALLY ASSISTED
GRANT PROGRAMS

JUNE 30, 2012
| Independent Auditors’ Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the Schedule of Expenditures of Federal Awards | 3 - 4 |
| Schedule of Expenditures of Federal Awards and Schedule of Findings and Questioned Costs: |
| Schedule of Expenditures of Federal Awards | 5 |
| Notes to Schedule of Expenditures of Federal Awards | 6 |
| Schedule of Findings and Questioned Costs | 7 - 8 |
| Summary Schedule of Prior Audit Findings | 9 |
INDEPENDENT AUDITORS’ REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and Members of City Council
City of Pico Rivera
Pico Rivera, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Pico Rivera (the City), as of and for the year ended June 30, 2012, which collectively comprise the City of Pico Rivera’s basic financial statements and have issued our report thereon dated January 7, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Pico Rivera’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of management, the City Council, others within the City, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

White Nelson Black Evans LLP

Irvine, California
January 7, 2013
INDEPENDENT AUDITORS’ REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Honorable Mayor and Members of City Council
City of Pico Rivera
Pico Rivera, California

Compliance

We have audited the City of Pico Rivera’s (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2012. The City of Pico Rivera’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Pico Rivera’s management. Our responsibility is to express an opinion on the City of Pico Rivera’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Pico Rivera’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Pico Rivera’s compliance with those requirements.

In our opinion, the City of Pico Rivera complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.
Internal Control Over Compliance

Management of the City of Pico Rivera is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pico Rivera as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 7, 2013 which contained unqualified opinions on those statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements of the City or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the City of Pico Rivera's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the City's compliance but not to provide an opinion on the effectiveness of the City's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Irvine, California
February 25, 2013, except to the date for the Schedule of Expenditures of Federal Award, to which the date is January 7, 2013.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CITY OF PICO RIVERA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2012

<table>
<thead>
<tr>
<th>Federal Grantor / Pass - Through Grantor / Program / Cluster Title</th>
<th>Catalog of Federal Domestic Assistance Number</th>
<th>Program Identification Number</th>
<th>Federal Expenditures</th>
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<tbody>
<tr>
<td>United States Department of Housing and Urban Development</td>
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<tr>
<td>Direct Assistance:</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Community Development Block Grant (CDBG)</td>
<td>14.218</td>
<td>B-10-MC-06-0526</td>
<td>$ 777,573</td>
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<td>Section 8 Housing Choice Vouchers Program</td>
<td>14.871</td>
<td>CA117</td>
<td>5,699,132</td>
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<td>Passed through California Department of Housing:</td>
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<td></td>
<td></td>
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<tr>
<td>Home Investment Partnerships Program</td>
<td>14.239</td>
<td>08-HOME-4707</td>
<td>301,351</td>
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<td>Total US Department of Housing and Urban Development</td>
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<td></td>
<td>6,778,055</td>
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<tr>
<td>United States Department of Justice</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed through the City of Los Angeles:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ARRA-Edward Byrne Memorial Justice Assistance Grant</td>
<td>16.804</td>
<td>-</td>
<td>34,697</td>
</tr>
<tr>
<td>United States Department of Transportation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed through California Department of Transportation:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Highway Planning and Construction:</td>
<td>20.205</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ARRA- Beverly Blvd Rehabilitation</td>
<td></td>
<td>ESPL-5351(017)</td>
<td>1,806,850</td>
</tr>
<tr>
<td>Passons Grade Separation Project</td>
<td></td>
<td>HPLUL-5351(018)</td>
<td>943,220</td>
</tr>
<tr>
<td>Rosemead Blvd Rehabilitation</td>
<td></td>
<td>DEM04-5351(020)</td>
<td>300,000</td>
</tr>
<tr>
<td>Rosemead Blvd Rehabilitation</td>
<td></td>
<td>DEM03-5351(021)</td>
<td>327,700</td>
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<tr>
<td>Rosemead Blvd Rehabilitation</td>
<td></td>
<td>HPLUL-5351(019)</td>
<td>698,992</td>
</tr>
<tr>
<td>Total Highway Planning and Construction</td>
<td></td>
<td></td>
<td>4,076,762</td>
</tr>
<tr>
<td>Passed through University of CA Berkley:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Highway and Community Safety:</td>
<td>20.600</td>
<td>SC11314</td>
<td>27,888</td>
</tr>
<tr>
<td>Total US Department of Transportation</td>
<td></td>
<td></td>
<td>4,104,650</td>
</tr>
<tr>
<td>United States Department of Energy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Assistance:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ARRA -Energy Efficient and Conservation Block Grant</td>
<td>81.128</td>
<td>DE-SC0002237</td>
<td>146,223</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES OF FEDERAL AWARDS</strong></td>
<td></td>
<td></td>
<td><strong>$ 11,063,625</strong></td>
</tr>
</tbody>
</table>

See Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the Schedule of Expenditures of Federal Awards (pages 3 and 4) and Notes to Schedule of Expenditures of Federal Awards (pages 6 and 7).
CITY OF PICO RIVERA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2012

1. GENERAL:

The accompanying Schedule of Expenditures of Federal Awards presents only the expenditures incurred by the City of Pico Rivera that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from a nonfederal agency or other organization. Only that portion of program expenditures reimbursable with such federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

2. BASIS OF ACCOUNTING:

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, which is described in the Note 1 of the notes to the City’s financial statements.

3. RELATIONSHIP TO COMPREHENSIVE ANNUAL FINANCIAL REPORT:

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree to amounts reported within the City’s Comprehensive Annual Financial Report.

4. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS:

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with amounts reported in federal financial reports.

5. CONTINGENCIES:

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

6. SUBRECIPIENTS:

During the fiscal year ended June 30, 2012, the City disbursed federal funds to subrecipients under the Community Development Block Grant program (CFDA #14.218) totaling $121,053.

See Independent Auditors’ Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 3 and 4) and the Schedule of Expenditures of Federal Awards (pages 5).
CITY OF PICO RIVERA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2012

1. SUMMARY OF AUDITORS’ RESULTS:
   
   Financial Statements

   Type of auditor’s report issued:
   - Unqualified

   Internal control over financial reporting:
   - Material weakness identified? __ yes __ no
   - Significant deficiency identified? __ yes __ no
   - Noncompliance material to financial statements noted: __ yes __ no

   Federal Awards:

   Internal control over major programs:
   - Material weakness(ies) identified? __ yes __ no
   - Significant deficiency(ies) identified? __ yes __ no
   - Type of auditor’s report issued on compliance for major programs:
     - Unqualified

   Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? __ yes __ no

   Identification of major programs:

<table>
<thead>
<tr>
<th>CFDA Number(s)</th>
<th>Name of Federal Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.205</td>
<td>Highway Planning and Construction</td>
</tr>
<tr>
<td>81.128</td>
<td>ARRA - Energy Efficiency Conservation Block Grant</td>
</tr>
</tbody>
</table>

   Dollar threshold used to distinguish between type A and type B programs: $331,909

   Auditee qualified as low-risk auditee? __ yes __ no

CITY OF PICO RIVERA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2012

2. FINDINGS RELATING TO FINANCIAL STATEMENTS:

There were no significant deficiencies or noncompliance material to the financial statements which were disclosed by the audit of the financial statements of the City of Pico Rivera for the year ended June 30, 2012.

3. FINDINGS AND QUESTIONED COSTS RELATING TO MAJOR FEDERAL AWARDS:

None

CITY OF PICO RIVERA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended June 30, 2012

There were no significant findings reported in the prior year.

CITY OF PICO RIVERA

APPROPRIATIONS LIMIT WORKSHEET NO. 6

WITH INDEPENDENT ACCOUNTANTS' REPORT
ON AGREED-UPON PROCEDURES
APPLIED TO APPROPRIATIONS LIMIT WORKSHEET

FOR THE YEAR ENDED JUNE 30, 2012
INDEPENDENT ACCOUNTANTS’ REPORT ON
AGREED-UPON PROCEDURES
APPLIED TO APPROPRIATIONS LIMIT WORKSHEET

To the Honorable Mayor and
Members of City Council
of the City of Pico Rivera
Pico Rivera, California

We have performed the procedures enumerated below to the accompanying Appropriations Limit Worksheet No. 6 of the City of Pico Rivera, California (the City) for the year ended June 30, 2012. These procedures, which were agreed to by the City of Pico Rivera, California and the League of California Cities (as presented in the League publication entitled “Article XIII-B Appropriations Limit Uniform Guidelines”) were performed solely to assist the City of Pico Rivera, California in meeting the requirements of Section 1.5 of Article XIIIIB of the California Constitution. The City’s management is responsible for the Appropriations Limit Worksheet No. 6.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed Worksheet No. 6 for the year ended June 30, 2012, and compared the limit and annual adjustment factors included in that worksheet to the limit and annual adjustment factors that were adopted by resolution of the City Council. We also compared the population and inflation options included in the aforementioned worksheet to those that were selected by a recorded vote of the City Council.

No exceptions were noted as a result of this procedure.

2. For the accompanying Appropriations Limit Worksheet No. 6, we added last year’s limit to the total adjustments, and compared the resulting amount to this year’s limit.

No exceptions were noted as a result of this procedure.
3. We compared the prior year appropriations limit presented in the accompanying Appropriations Limit Worksheet No. 6 to the prior year appropriations limit adopted by the City Council for the prior year.

No exceptions were noted as a result of this procedure.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit Worksheet No. 6. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by the League publication entitled “Article XIII-B Appropriations Limitation Uniform Guidelines”.

This report is intended solely for the use of the City Council and management of the City of Pico Rivera, California and is not intended to be, and should not be, used by anyone other than these specified parties.

White, Nelson, Riedel, Evans

Irvine, California
January 7, 2013
CITY OF PICO RIVERA

APPROPRIATIONS LIMIT WORKSHEET NO. 6

For the year ended June 30, 2012

Appropriations limit for fiscal year ended June 30, 2011 (see Note 2) $ 113,660,195

Adjustment factors for the fiscal year ended June 30, 2012 (see Note 2):

<table>
<thead>
<tr>
<th>Inflation Factor (Note 3)</th>
<th>Population Factor (Note 4)</th>
<th>Combined Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.02510000</td>
<td>1.00380000</td>
<td>1.02900000</td>
</tr>
</tbody>
</table>

x 0.02900000

Adjustment for inflation and population 3,296,146

Other adjustments (Note 5) ____________ -

Total adjustments 3,296,146

Appropriations limit for fiscal year ended June 30, 2012 $ 116,956,341

Unaudited; see accompanying independent accountants’ report on agreed-upon procedures applied to appropriations limit worksheet and accompanying notes.
CITY OF PICO RIVERA

NOTES TO APPROPRIATIONS LIMIT WORKSHEET NO. 6

For the year ended June 30, 2012

1. PURPOSE OF LIMITED PROCEDURES REVIEW:

Under Article XIIIIB of the California Constitution (the Gann Spending Limitation Initiative), California governmental agencies are restricted as to the amount of annual appropriations from proceeds of taxes. Effective for years beginning on or after July 1, 1990, under Section 1.5 of Article XIIIIB, the annual calculation of the appropriations limit is subject to an agreed-upon procedures review in connection with the annual audit.

2. METHOD OF CALCULATION:

Under Section 10.5 of Article XIIIIB, for fiscal years beginning on or after July 1, 1990, the appropriations limit is required to be calculated based on the limit for the fiscal year 1986-87, adjusted for the inflation and population factors discussed at Notes 3 and 4 below.

3. INFLATION FACTORS:

A California governmental agency may adjust its appropriations limit by either the annual percentage change in the 4th quarter per capita personal income (which percentages are supplied by the State Department of Finance), or the percentage change in the local assessment roll from the preceding year due to the change of local nonresidential construction. The factor adopted by the City of Pico Rivera for the fiscal year 2011-2012 represents the annual percentage change for per capita personal income.

4. POPULATION FACTORS:

A California governmental agency may adjust its appropriations limit by either the annual percentage change of the jurisdiction’s own population, or the annual percentage change in population in the County where the jurisdiction is located. The factor adopted by the City of Pico Rivera for fiscal year 2011-2012 represents the annual percentage change in the population for the County of Los Angeles.

5. OTHER ADJUSTMENTS:

A California government agency may be required to adjust its appropriations limit when certain events occur, such as the transfer of responsibility for municipal services to, or from, another government agency or private entity. The City of Pico Rivera had no such adjustments for the year ended June 30, 2012.

Unaudited; see accompanying independent accountants’ report on agreed-upon procedures applied to appropriations limit worksheet.

- 4 -
To the Honorable Mayor
and Members of the City Council
of the City of Pico Rivera
Pico Rivera, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Pico Rivera, California (the City) for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 18, 2012 and in our letter on planning matters dated October 8, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Pico Rivera are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year ended June 30, 2012. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.
Significant Audit Findings (Continued):

Qualitative Aspects of Accounting Practices (Continued)

The most sensitive estimates affecting the City of Pico Rivera’s financial statements are as follows:

a. Management’s estimate of the fair market value of investments is based on market values provided by outside sources.

b. Management’s estimate of the value of the capital assets (infrastructure) is based on industry standards.

c. Management’s estimate of the useful lives of capital assets for depreciation purposes is based on industry standards.

d. The funded status and funding progress of the public defined benefit plans with CalPERS is based on actuarial valuations.

e. The annual required contribution and actuarial accrued liability for the City’s Other Post-Employment Benefit Plan is based on certain actuarial assumptions and methods prepared by an outside consultant.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial disclosures are particularly sensitive because of their significance to the financial statements users. The most sensitive disclosures affecting the financial statements are reported in Note 8 regarding the retirement plan, Note 9 regarding post-employment benefits plan, Note 14 regarding the recent changes in legislation affecting California Redevelopment Agencies, and Note 16 regarding the restatement of net assets/fund balance at July 1, 2011.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatement detected as a result of audit procedures was corrected by management: Payroll costs incurred but not paid as of June 30, 2012 were inadvertently accrued as a liability twice during the year-end closing process.
Significant Audit Findings (Continued):

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 7, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the City Council and management of the City of Pico Rivera and is not intended to be and should not be used by anyone other than these specified parties.

White Nelson Sullivan SSP

January 7, 2013
Irvine, California

- 3 -
To: Mayor and City Council
From: City Manager
Meeting Date: March 12, 2013
Subject: APPROVE ARBITRAGE MANAGEMENT GROUP AS FINANCIAL ADVISOR

Recommendations:
Approve Arbitrage Management Group (AMG) as financial advisor.

Fiscal Impact:

There is no fiscal impact from this item.

Discussion:

Staff inquired of three financial advisors regarding investment strategies recommended for the City of Pico Rivera. Arbitrage Management Group (AMG) provided a proposal that staff recommends for the City. Currently, the bond reserves are in money market mutual funds earning less than 0.01%. AMG recommends investing the bond reserves in Certificates of Deposit (CDs). The advantages of the Certificates of Deposits are 1) the principal is backed by the full faith and credit of the Federal Government through FDIC insurance and 2) the interest rates are more attractive, ranging from 0.35% to 0.80%.

AMG has over 20 years of experience, and securities would be purchased through Sterne Agee Financial Services which is a member of FINRA and SIPC which also includes FDIC insurance.

Ronald Bates
City Manager

MM
Attachment 1 – Investment Advisor Proposal
INVESTMENT OF BOND PROCEEDS PROPOSAL FOR:

$17,940,000
Pico Rivera Water Authority
Series 1999A Revenue Bonds

$5,520,000
Pico Rivera Water Authority
Series 1999B Taxable Revenue Bonds

$40,710,000
Pico Rivera Water Authority
Series 2001A Revenue Bonds

$32,860,000
Pico Rivera Public Financing Authority
Series 2009 Lease Revenue Bonds

Submitted by:

Steve Almond
Financial Consultant

Securities offered through
Sterne Agee Financial Services, Inc.
Member FINRA & SIPC

March 1, 2013

ARBITRAGE MANAGEMENT GROUP
March 1, 2013

Mr. Michael Matsumoto  
Director of Finance  
City of Pico Rivera   
6615 Passons Blvd.  
Pico Rivera, CA 90660

Re: Investment of Bond Proceeds for Water Authority and PFA Revenue Bonds,  

Dear Mr. Matsumoto:

Thank you for allowing Arbitrage Management Group (AMG) to evaluate the portfolio associated with your Series 1999, 2001 and 2009 Revenue Bond Issues. Based on information provided by the City and data available on the Bloomberg System, we have developed the following proposal.

Our objective is to develop an investment strategy that will maximize the rate of return on investments for the Debt Service Reserve Fund, Rate Stabilization Fund and at the same time meet all requirements and restrictions set forth in the Bond Indenture, Official Statements and the Investment Policy of the City.

Firm History:
For over two decades our firm has been specializing in strategies to maximize reinvestment earnings of tax-exempt bond proceeds. AMG representatives routinely interact with trustees, fiscal agents, bond counsels, and financial advisors. Over the course of our history, AMG has assisted clients with the reinvestment of more than $2 billion of bond proceeds.

In 2004 the individuals making up AMG joined Sterne Agee Financial Services, Inc. Sterne Agee Financial Services, Inc. is an affiliate of Sterne Agee Group. The Sterne Agee Family of Companies is one of the oldest and largest privately-owned brokerage firms in the country, serving clients in all 50 states. For over 100 years, Sterne Agee has served the investment needs of its clients through various economic and market conditions.

Client Base:
Our client base consists of tax-exempt entities. These include healthcare facilities: hospitals, nursing homes and assisted living centers; educational facilities: colleges, universities, and school districts; municipalities: utility districts, special districts, cities and counties.
Arbitrage:

The phenomenon of earning less than the bond yield is known as negative arbitrage. If market conditions force a fund into a negative arbitrage position, the Issuer will normally stand to benefit from blending that fund with some other fund that it can invest at positive arbitrage, generally using longer term investments. The negative arbitrage in the short-term fund can shelter positive arbitrage in the long-term fund that would otherwise be subject to yield restriction or rebate.¹

Yield Blending Examples:
1. Positive arbitrage in a Reserve Fund and negative arbitrage in a Refunding Escrow.
2. Positive arbitrage in a Reserve Fund and negative arbitrage in a Project Fund.


Advantages of Arbitrage Management:

Through diligent monitoring and a disciplined utilization of select investment strategies regarding the various Reserve Funds we may assist the Institution in dramatically reducing and/or eliminating the negative arbitrage associated with the respective bond issues. With that goal accomplished, it may also be possible to generate positive arbitrage that may be exempt from rebate and may be retained by the Institution or utilized for debt service payments.
CITY OF PICO RIVERA, CALIFORNIA

Recap – Series 1999A & B Water Revenue Bonds:

- Issue Date: 05/01/1999A          Maturity Date: 05/01/2029
- Issue Date: 05/01/1999B          Maturity Date: 05/01/2014

- The Series 1999A & B Bonds were issued to provide funds to refund a portion of the 1992 and 1993 Bonds, fund a Project Fund, fund a Reserve Fund, fund a Rate Stabilization Fund and to pay cost of issuance.

- The Series 1999A & B Debt Service Reserve Fund was funded as follows:
  
  MBIA surety bond valued at $1,644,067.50

- The Debt Service Reserve Fund Requirement is $1,644,067.50

- The 1999A Rate Stabilization Fund was funded as follows:
  
  1999A Revenue Bond Proceeds: $600,000.00

- The Rate Stabilization Fund Requirement is $600,000.00

- The Rebate Yield for the 1999A Bonds is approximately 5.50%.
- The Rebate Yield for the 1999B Bonds is approximately 6.50%.

Recap – Series 2001A Water Revenue Bonds:

- Issue Date: 12/01/2001          Maturity Date: 12/01/2032

- The Series 2001A Bonds were issued to provide funds to refund a portion of the 1989 RDA Bonds, fund a Reserve Fund, fund a Rate Stabilization Fund, and to pay cost of issuance.

- The 2001A Debt Service Reserve Fund was funded as follows:
  
  2001A Revenue Bond Proceeds: $2,534,762.50

- The Debt Service Reserve Fund Requirement is $2,534,762.50.

- The 2001A Rate Stabilization Fund was funded as follows:
  
  2001A Revenue Bond Proceeds: $600,000.00

- The Rate Stabilization Fund Requirement is $600,000.00.

- The Rebate Yield for the Series 2001A Bonds is approximately 6.50%.

ARBITRAGE MANAGEMENT GROUP
Recap – Series 2009 Lease Revenue Bonds:
- Issue Date: 09/15/2009  Maturity Date: 09/01/2039
- The Series 2009 Bonds were issued to provide funds to complete the project, fund a Reserve Fund, fund a Capitalized Interest Fund, and to pay cost of issuance.
- The 2009 Debt Service Reserve Fund was funded as follows:
  
  2009 Revenue Bond Proceeds: $2,333,437.50
  
- The Debt Service Reserve Fund Requirement is $2,333,437.50.
- The Rebate Yield for the Series 2009 Bonds is approximately 5.25%.

Considerations:
- The Reserve Funds and Rate Stabilization Fund associated with the Bonds are currently invested in money market funds earning at or near 0%.
- This investment strategy will generate significant amounts of negative arbitrage. Negative arbitrage in this context is defined as the difference between the issue’s Rebate Yield and the approximate yield currently being earned on the Reserve and Rate Stabilization Fund investment.
- Income earned in the Reserve and Rate Stabilization Funds above the Rebate Yield may be retained to offset negative arbitrage that has accumulated in the Reserve Fund, Rate Stabilization Fund and Project Fund associated with each Bond issue.
- We recommend an ongoing management of these funds in order to take advantage of indenture provisions and investing the Reserve and Rate Stabilization Fund into the highest yielding permitted investments based on current market conditions.

Investment Strategies:

Step 1: Maximize the earnings in the Reserve Funds, staying within the Indenture Guidelines while taking current market conditions into consideration. All Bond Indentures have a maximum maturity for Permitted Investment securities of five (5) years.
We recommend a laddered strategy. The portfolio would consist of Certificates of Deposit (CDs) maturing in 24, 30 and 36 months. All CDs will possess FDIC insurance up to $250,000 per institution.

Example Portfolio:

<table>
<thead>
<tr>
<th>Amount</th>
<th>FDIC Insured Certificate of Deposit due</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,500,000</td>
<td>3/2015</td>
</tr>
<tr>
<td>$2,500,000</td>
<td>9/2015</td>
</tr>
<tr>
<td>$2,500,000</td>
<td>3/2016</td>
</tr>
</tbody>
</table>

Current Weighted Average Yield is .60%

**Note:** In a rising interest rate environment the laddered strategy will allow for reinvestment at a higher return resulting in an improved weighted average yield. This strategy will result in an improved annual cash flow when compared to current returns from money market funds of approximately $45,000.

**Step 2:** Monitor the Reserve Fund portfolio and make recommendations according to changing market conditions. When market conditions allow, invest the portfolio in securities that yield higher than the Rebate Yield resulting in positive arbitrage.

**Step 3:** Once negative arbitrage is recaptured and market conditions allow, invest in Municipal Bonds yielding higher than the Rebate Yield. Positive arbitrage earned through Municipal Bonds is not subject to rebate.

**Summary:**

Since the Arbitrage regulations were introduced as part of the Tax Reform Act of 1986, we have specialized in maximizing the investments within the Debt Service Reserve Fund and other bond fund accounts in compliance with each bond issues’ respective Trust Indenture and the Arbitrage regulations.

Our proprietary investment strategies were developed in conjunction with an in-depth understanding of the Arbitrage regulations provided by a nationally recognized tax counsel.

To date we have managed over $2 Billion in Debt Service Reserve Fund investments nationwide.

We have analyzed thousands of tax exempt revenue bond issues offering recommendations to our clients that may have significantly improved the efficiencies in their debt structure.

**ARBITRAGE MANAGEMENT GROUP**
Our associates are FINRA Registered Representatives that are Series 7, Series 65, and, in many cases, Series 24 licensed with a combined experience of nearly 50 years.

PLEASE NOTE: The information contained in this document is considered to be reliable, however Sterne Agee Financial Services, Inc. does not represent that it is accurate or complete and it should not be relied upon as such. Investment recommendations by Sterne Agee Financial Services, Inc. are made based on a client's specific investment objective, time horizon and risk tolerance. Information included in this document may not be suitable for all investors. Past performance is not a guarantee of future results and should not be considered a guarantee. Investment products are not FDIC insured, may lose value, and are not guaranteed by any federal government agency. Consult your Investment Consultant at AMG for more information.

ARBITRAGE MANAGEMENT GROUP
To: Mayor and City Council
From: City Manager
Meeting Date: March 12, 2013
Subject: RIVERA PARK, SMITH PARK AND RIO VISTA PARK RENOVATION PROJECTS – AMENDMENT NO. 4 TO PROFESSIONAL SERVICES AGREEMENT NO. 10-1180 WITH URS CORPORATION, INC. - CONSTRUCTION MANAGEMENT SERVICES

Recommendation:

Approve Amendment No. 4 to Professional Services Agreement No. 10-1180 with URS Corporation, Inc. (URS) for additional construction management services for an amount not to exceed $240,000 and authorize the Mayor to execute Amendment No. 4 in a form approved by the City Attorney.

Fiscal Impact: $ 14,348 Account No. 210-7310-44500-00021219 (Rivera Park)
$ 112,107 Account No. 210-7310-44500-00021218 (Smith Park)
$ 113,545 Account No. 210-7310-44500-00021224 (Rio Vista Park)
$ 240,000 Vital City Services Bond

Discussion:

On October 12, 2010, the City Council awarded URS Corporation, Inc. a professional services agreement for an amount of $1,135,744, to provide construction management services for the Parks Master Plan Renovation Projects (Pico, Rivera, Smith, and Rio Vista Parks).

Since awarding the contract, three amendments have been approved by the City Council. Amendment No. 1 was necessary to change the construction management approach and to incorporate construction management services for the Pico Park Transit Hub Project. Amendment No. 2 was necessary to extend construction management services on Rivera Park through June 29, 2012. On August 14, 2012, Amendment No. 3 was approved by City Council totaling $45,050 for additional construction management services on Rivera Park through August 31, 2012. The current total contract amount is $1,161,186.
Construction management services were to be provided through March 29, 2013. However, the Smith Park and Rio Vista Park Renovation Projects are continuing on an extended schedule due to weather delays and additional City-requested improvements. Staff anticipates substantial completion in June 2013.

Additional construction management services in the amount of $240,000 are necessary through completion of construction. Services include construction management, construction observation, scheduling support, estimating, maintaining project controls and project closeout.

The total additional cost includes $112,107 and $113,545 for extended construction support services for Smith Park and Rio Vista Park, respectively. It also includes $14,348 for support and claims services for the closeout process for the Rivera Park project. These additional services are budgeted for and will be funded through the Vital City Services Bond allocated for the respective park renovation projects. The total contract amount, inclusive of Amendment No. 4, would be $1,401,186. There is no impact to the General Fund.

As a status update, construction on the Smith Park and Rio Vista Park Renovation Projects are well under way. Major milestones completed to date include demolition and mass grading, installation of sports field lighting, masonry work for concession buildings and bleachers, drainage system and base for artificial turf, installation of field goal posts, and a majority of the playing field fencing. Pending improvements include installation of artificial turf, concrete fire lane and walkways, walkway lighting, shade covers, irrigation, landscaping, and peripheral improvements. The parks are anticipated to reach substantial completion in June 2013.

Ronald Bates

RRB:AC:RG:lg

Enc.

1) Amendment No. 4 to the Professional Services Agreement
2) Exhibit “A” to Amendment No. 4 – Fees
AMENDMENT NO. 4
TO THE PROFESSIONAL SERVICES AGREEMENT WITH
URS CORPORATION, INC., AGREEMENT NO. 10-1180

THIS AMENDMENT NO. 4 TO AGREEMENT NO. 10-1180 FOR PROFESSIONAL SERVICES WITH URS CORPORATION, INC. ("Amendment No. 4"), effective as of the date specified in paragraph 5 hereof, is made and entered into by and between the CITY OF PICO RIVERA ("CITY"), and URS CORPORATION, INC., ("CONSULTANT").

RECITALS

A. CITY and CONSULTANT (collectively referred to as the "PARTIES") have previously executed that certain Agreement for Professional Services, Agreement No. 10-1180 ("Agreement") relating to professional services in the City of Pico Rivera.

B. The PARTIES desire to amend said Agreement as set forth herein, pursuant to Section 5.1 of the Agreement.

C. CONSULTANT has proposed, and CITY has accepted, CONSULTANT's Proposal, set forth in the Consultant's Proposal to City dated November 26, 2012, attached hereto as Exhibit "A".

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. MODIFICATION OF SCOPE OF SERVICES TO BE PERFORMED BY CONSULTANT FOR SMITH, RIO VISTA & RIVERA PARKS.

The Scope of Services to be performed by CONSULTANT, as set forth in the Agreement, shall be modified as follows:

Additional professional services staffing as set forth in the Consultant's Proposal to City dated February 26, 2013, attached hereto as Exhibit "A".

2. TIME FOR COMPLETION OF MODIFIED WORK AND SERVICES.

Consultant shall undertake and complete the modified work and services set forth in Exhibit "A", within upon issuance of Notice to Proceed. Notwithstanding any other provision of this Amendment No. 4, changes the Agreement (Article 3.4) end date to June 28, 2013.

3. MODIFICATION OF CONSULTANT'S COMPENSATION.

To reflect the above described additional Construction Management Services staffing for Smith, Rio Vista & Rivera Parks, the last sentence of Section 5.1 of the Agreement shall be replaced by the following:

In no event shall the total compensation and costs payable to Consultant under this Agreement exceed $1,401,186.00 (One Million Four Hundred One Thousand, One Hundred Eighty Six dollars and zero cents), unless specifically approved in advance, in writing, by the City.
4. **EFFECT OF AMENDMENTS.**

Except as modified herein, either expressly or by necessary implication, the terms and provisions of the Agreement between the CITY and CONSULTANT shall remain in full force and effect.

5. **EFFECTIVE DATE.**

Unless otherwise specified herein, this Amendment No. 4 shall become effective as of the date set forth below on which the last of the parties, whether CITY or CONSULTANT, executes this Amendment No. 4.

[End of Amendment No. 4. Signatures to follow.]

**IN WITNESS WHEREOF,** the parties hereto have caused this Amendment No. 4 to be executed and attested by their respective officers hereunto duly authorized.

---

**“CITY”**
CITY OF PICO RIVERA

Gustavo V. Camacho, Mayor

---

**“CONSULTANT”**
URS CORPORATION, INC

Keith Kajiyá

Title: Vice President, Office Manager

Dated: 3/1/13

---

**ATTEST:**

APPROVED AS TO FORM

Anna M. Jerome, Assistant City Clerk

Arnold M. Alvarez-Glasman, City Attorney
### EXHIBIT A

**URS**  
**EXTENDED/ADDITIONAL CM SERVICES**  
2/25/2013  

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To: Mayor and City Council

From: City Manager

Meeting Date: March 12, 2013

Subject: TELEGRAPH ROAD LANDSCAPE MEDIAN IMPROVEMENT PROJECT, CIP NO. 21232 – AMENDMENT NO. 2 TO AGREEMENT NO. 11-1235 WITH THE CITY OF DOWNEY

Recommendation:

1) Approve Amendment No. 2 to Agreement No. 11-1235 with the City of Downey to incorporate additional improvements at the intersection of Telegraph Road and Lakewood/Rosemead Boulevard, and authorize the Mayor to execute Amendment No. 2 in a form approved by the City Attorney; and

2) Appropriate $151,300 in Proposition C funds to CIP No. 21232.

Fiscal Impact: $151,300 Prop C Funds
CIP Account No. 210-7300-44500-00021232

Discussion:

The City’s Capital Improvement Program includes the Telegraph Road Landscape Median Improvement Project, CIP 21232 (Roadway Project). This safety project entails installing landscaped medians, rehabilitating roadway pavement, sidewalk repairs, ADA upgrades, and other safety improvements on Telegraph Road, from Passons Boulevard to Rosemead/Lakewood Boulevard. The cities of Pico Rivera and Downey (Cities) are partners in this multi-jurisdictional project and Pico Rivera is the lead agency.

On June 28, 2011, the City Council authorized a Cooperative Agreement with the City of Downey for the design and construction of the Roadway Project. The agreement established project implementation parameters as well as guidelines for assigning project costs to the Cities. The agreement was amended on July 24, 2012 to increase Downey’s share of the costs because the scope of work in Downey had also increased (Amendment No. 1).

A second amendment is now necessary because the Cities recently received a grant award from the Truck Impacted Intersection Phase II Program. This grant will fund improvements to the Telegraph Road and Rosemead/Lakewood Boulevard intersection including reconstruction of the intersection with concrete, decorative concrete sidewalks, and minor traffic signal improvements (Intersection Project). The grant award was for $849,709 ($552,311 in Call for Projects funds from the Los Angeles County Metropolitan Transportation Authority (MTA) and $297,398 in local match funds).
Amendment No. 2 incorporates the $849,709 grant award and Intersection Project into the Cooperative Agreement. The amendment also modifies the Cities’ share of the cost.

Amendment No. 2 is consistent with past City Council action since on January 22, 2013, the City Council approved incorporating the Intersection Project into the Roadway Project because funds must be expended by June 30, 2013. The City Council also approved a Cooperative Agreement with Gateway Cities Council of Governments to accept the grant award.

An appropriation in the amount of $151,300 in Prop C funds is needed to fully fund the increase in the scope of work of the project.

The engineer’s estimate for construction of the Roadway Project and the Intersection Project is $2,922,000. The total project budget is $3,578,000, which includes design, construction support, construction management, job costing, and other miscellaneous services such as federal invoicing and reporting.

As a note, the project is being funded with the following funding sources and these estimated figures are reflected in Amendment No. 2.

- $ 552,000 (Gateway Cities Council of Governments Funds)
- $ 900,000 (Highway Safety Improvement Program Grant)
- $ 897,000 (City of Pico Rivera – Prop C Funds)
- $1,229,000 (City of Downey Funds)
- $3,578,000 Total

City of Pico Rivera staff is in contact with Downey representatives. Downey is scheduled to approve Amendment No. 2 at their March 12, 2013 City Council Meeting. Approval of Amendment No. 2 by both City Councils will ensure timely reimbursement of funds.

As a status update, construction on the project began on Monday, March 4, 2013. Improvements being constructed early on include construction of raised medians, installation of irrigation system and replacement of sidewalk and curb and gutter as needed. Construction work is expected to be completed by late Summer 2013.

Ronald Bates

RRB:AC:MPC:lg

Enc.

1) Amendment No. 2 to Agreement No. 11-1235
2) Vicinity Map
AMENDMENT NO. 2
TO AGREEMENT NO. 11-1235, AGREEMENT BETWEEN THE CITY OF PICO RIVERA AND THE CITY OF DOWNEY FOR THE TELEGRAPH ROAD RAISED MEDIAN ISLAND IMPROVEMENTS, CAPITAL IMPROVEMENTS PROJECT NO. 21232

THIS AMENDMENT NO. 2 TO AGREEMENT NO. 11-1235 ("Amendment No. 2"), effective as of the date specified in Paragraph 7 hereof, is made and entered into by and between the CITY OF PICO RIVERA ("Pico Rivera"), and the CITY OF DOWNEY ("Downey").

RECITALS

WHEREAS, Pico Rivera and Downey (collectively referred to as the "Parties", and individually as "Party") have previously executed that certain AGREEMENT NO. 11-1235, AGREEMENT BETWEEN THE CITY OF PICO RIVERA AND THE CITY OF DOWNEY FOR THE TELEGRAPH ROAD RAISED MEDIAN ISLAND IMPROVEMENTS, CAPITAL IMPROVEMENTS PROJECT NO. 21232 ("Agreement") relating to the cooperative construction of the Telegraph Road Raised Median Island Project ("Project");

WHEREAS, Pico Rivera and Downey have previously executed AMENDMENT NO. 1 TO AGREEMENT NO. 11-1235, AGREEMENT BETWEEN THE CITY OF PICO RIVERA AND THE CITY OF DOWNEY FOR THE TELEGRAPH ROAD RAISED MEDIAN ISLAND IMPROVEMENTS, CAPITAL IMPROVEMENTS PROJECT NO. 21232; and

WHEREAS, the Parties desire to amend said Agreement as set forth herein, pursuant to Section 17 of the Agreement.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. MODIFICATION OF THE RECITALS OF THE AGREEMENT

The third paragraph of the "RECITALS" of the Agreement shall be amended as follows:

WHEREAS, on July 2008, Pico Rivera received a federal grant from the Highway Safety Improvements Program, in the amount of $900,000, for the construction of a raised median island on Telegraph Road, from Passons Boulevard to Rosemead Boulevard/Lakewood Boulevard. Said funds require a match of ten percent (10%) and are assigned to both Parties at a rate of fifty percent (50%). Pico Rivera also received a grant from the Gateway Cities Council of Governments, and said funds require a match of thirty-five percent (35%) from the grant recipient. It is estimated that the total cost for the Project is three million six hundred thousand dollars ($3,600,000) $2,500,000.00, inclusive of Professional and Construction Services.
The following language shall be added as the seventh and eighth paragraphs of the “RECITALS” of the Agreement:

WHEREAS, the Parties also desire to cooperate in the construction of improvements and upgrades at the intersection of Telegraph Road and Rosemead Boulevard/Lakewood Boulevard (“Intersection Improvements”), for the purpose of mitigating the impact of truck activity at that intersection;

WHEREAS, the Intersection Improvements are estimated to cost eight hundred and forty-nine thousand seven hundred and nine dollars ($849,709.00), of which the Gateway Cities Council of Governments will fund five hundred and fifty-two thousand three hundred and eleven dollars ($552,311.00). Said funds from the Gateway Cities Council of Governments require a match of thirty-five percent (35%), amounting to two hundred ninety-seven thousand three hundred ninety-eight dollars ($297,398.00), which shall be assigned to Pico Rivera and Downey at a rate of 50%, with each city contributing one hundred and forty-eight thousand sixty-nine dollars ($148,699.00);

2. MODIFICATION OF THE AGREEMENT’S PURPOSE

“SECTION 1. Purpose of the Agreement.” of the Agreement is hereby amended as follows:

The purpose of this Agreement is to provide for Downey’s reimbursement of a portion of Pico Rivera’s Costs Incurred in completing the Project and to provide for the defense of any action arising against either or both Parties as a result of the construction of the Project. For purposes of this Agreement, the term “Pico Rivera’s Costs Incurred” includes all costs incurred by the City of Pico Rivera, including, but not limited to, expenses arising from project management, design consultants, funding management, construction materials and labor, and construction management. Pico Rivera’s Costs Incurred does not include costs in Project Part A (described below) that are covered by the federal grant received by Pico Rivera through the Highway Safety Improvement Program. Pico Rivera’s Costs Incurred also do not include costs in Project Part C (described below) covered by funding received from the Gateway Cities Council of Governments.

3. MODIFICATION OF THE PROJECT SCOPE

“SECTION 3. Project Scope” of the Agreement is hereby amended as follows:

The scope of the Project has three (3) parts, described and referred to in this Agreement as Project Part A, Part B, and Part C.

Project Part A includes the following work to be performed on Telegraph Road between Passons Boulevard and Rosemead Boulevard/Lakewood Boulevard, and pursuant to Section
5 of this Agreement, the City of Downey shall reimburse the City of Pico Rivera for fifty-seven percent (57%) of Pico Rivera’s Costs Incurred from Project Part A:

1) Installing new raised landscaped medians;
2) Installing street trees, lawns and parkways;
3) Pavement rehabilitation;
4) Curb, gutter and sidewalk upgrade;
5) Americans with Disabilities Act improvements;
6) Minor traffic signal improvements;
7) Any additional improvements deemed necessary by the Parties;
8) Services necessary to implement the Project, including, but not limited to, planning, design and environmental services, construction and construction management, funding management, and project management; and
9) Downey’s removal and construction of asphalt concrete in accordance with Item 37 of the Construction Cost Estimate attached as Exhibit “A”.

Project Part B includes the following work to be performed on Lakewood Boulevard between Telegraph Road and Vista del Rosa Street, and pursuant to Section 5 of this Agreement, the City of Downey shall reimburse the City of Pico Rivera for one hundred percent (100%) of Pico Rivera’s Costs Incurred from Project Part B:

1) Pavement rehabilitation;
2) Concrete improvements including curb, gutter and sidewalk improvements;
3) Any additional improvements deemed necessary by the City of Downey; and
4) Services necessary to implement the Project, including, but not limited to, planning, design and environmental services, construction and construction management, funding management, and project management.

Project Part C includes the following work to be performed at the intersection of Telegraph Road and Rosemead Boulevard/Lakewood Boulevard, and pursuant to Section 5 of this Agreement, the City of Downey shall reimburse the City of Pico Rivera for fifty percent (50%) of Pico Rivera’s Costs Incurred from Project Part C:

1) Concrete reconstruction of the intersection approaches;
2) Concrete reconstruction of the crosswalks;
3) Relocation of traffic signal conduits under the pavement;
4) Upgrade signing, striping, and pavement markings throughout the intersection area; and
5) Services necessary to implement the Project, including, but not limited to, planning, design and environmental services, construction and construction management, funding management, and project management.

1) Pavement rehabilitation;
2) Installing new traffic signage, striping, pavement markings, and raised pavement markers; and
3) Services necessary to implement the Project, including, but not limited to, planning, design, and environmental services, construction and construction management, funding management, and project management.

4. MODIFICATION OF REIMBURSEMENT OF COSTS

The first paragraph of “SECTION 5. Reimbursement of Costs” of the Agreement is hereby amended as follows:

Upon Pico Rivera’s receipt of an invoice for Project-related cost (“Project Invoice”), such as services performed for, or materials used on the Project, Pico Rivera shall pay said invoice in full. Pico Rivera may use Highway Safety Improvement Program Grant funds to pay construction costs to the extent said grant funds are available and applicable. The Highway Safety Improvement Program Grant funds shall only be applied to Project Parts A, shall only be applied to construction costs, and will not apply to other Project costs, such as project management, construction management and engineering, surveying, design, and staff time. Funds received from the Gateway Cities Council of Governments shall only be applied to Project Part C.

The third paragraph of “SECTION 5. Reimbursement of Costs” of the Agreement is hereby amended as follows:

The balance due shall be based on Pico Rivera’s Costs Incurred, which do not include Project costs covered by the Highway Safety Improvement Grant or costs covered by funds received from the Gateway Cities Council of Governments. The balance due shall be sixty-one percent (61%) of Pico Rivera’s Costs Incurred (as defined in SECTION 1 of this Agreement). The balance due is the sum of:

1. Fifty-seven percent (57%) of Pico Rivera’s Costs Incurred that are attributable to Project Part A;

2. One hundred percent (100%) of Pico Rivera’s Costs Incurred that are attributable to work performed on Project Part B; and

3. Fifty percent (50%) of Pico Rivera’s Costs Incurred that are attributable to work performed on Project Part C.

5. EFFECT OF AMENDMENTS.

Except as modified herein, either expressly or by necessary implication, the terms and provisions of the Agreement between Pico Rivera and Downey shall remain in full force and effect.
6. **EFFECTIVE DATE.**

Unless otherwise specified herein, this Amendment No. 2 shall become effective as of the date set forth below on which the last of the Parties, whether Pico Rivera or Downey, executes this Amendment No. 2.

**IN WITNESS WHEREOF,** the parties hereto have caused this Amendment No. 2 to be executed and attested by their respective officers hereunto duly authorized.

**CITY OF PICO RIVERA**

[Insert name], Mayor  
Date: __________________________

**ATTEST:**

City Clerk for the City of Pico Rivera

**APPROVED AS TO FORM:**

Arnold M. Alvarez-Glasman, City Attorney

**CITY OF DOWNEY**

Mario A. Guerra, Mayor  
Date: __________________________

**ATTEST:**

Adria M. Jimenez, CMC City Clerk for the City of Downey

**APPROVED AS TO FORM:**

Yvette M. Abich Garcia City Attorney